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SUBJECT: MEDIA REACTION: NEW USG PLAN TO DEAL WITH TOXIC ASSETS;  
U.S.-CHINA RELATIONS; IRAN

TOPICS:

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HEADLINES AND EXCERPTS:

- [1](#). New USG plan to deal with toxic assets

"Save the financial crisis but cannot avoid galloping inflation"

The mass-circulation Chinese-language Apple Daily News remarked in an editorial (3/24): "...Obama's economic stimulus package is close to \$800 billion. Treasury Secretary Geithner's plan to buy toxic assets from banks will cost over \$700 billion. Add in Federal Reserve chairman Bernanke's zero-interest-rate policy, quantitative easing strategies and his plan to run the money printing machine to buy government and corporate bonds and the U.S. administration has to inject some US\$2-3 trillion into the market in just a few months.

The speed and the scale of these bailout plans are not only unprecedented, but their impact on global economies and financial markets will definitely be greater than the impact when the U.S. dollar detached itself from the gold standard system and the free-floating of the exchange rates of the U.S. dollar.... It is not yet known if the Obama administration's strong measures can beat the financial tsunami. Although the U.S. administration can prevent the collapse of the financial system and prevent the continued decline of the economy by turning on the 'water tap', the outlook for the U.S. economy, as well as the global economy, is not optimistic. What follows the recession may not necessarily be a strong recovery but galloping inflation or stagflation."

"Stock market accepts the toxic-asset removal plan; the U.S. does not want regulations"

The independent Chinese-language Hong Kong Economic Journal said in an editorial (3/24): "...Judging from the U.S. stock market yesterday, the financial market seemed to accept the U.S. Treasury Department's plan. If the plan succeeds, the U.S. credit market will be revitalized and the aftereffect of the financial crisis will be gradually improved. However, dealing with the toxic assets of banks is the first step of the 'medical treatment'. How to rebuild the regulatory framework of the future financial market is the biggest problem after the financial tsunami. In the G-20 summit next month, European countries (mainly Germany and France) suggest focusing on rebuilding the international financial system and strengthening financial regulations.... The U.S., which enjoyed prosperity due to financial liberalization and innovation of the financial system in the past, does not agree with the regulatory viewpoint of Europe.... The AIG bonus scandal makes Americans treat the financial industry as the devil of greediness. The U.S.

administration may finally have to compromise with Europe's regulations."

"Let market return to market; obviously 'rewarding' Wall Street"

The center-left Chinese-language Sing Tao Daily News said in an editorial (3/24): "...Making use of the expertise of the vulture funds can avoid the disadvantage of letting the government set the prices. The plan is to let these fund companies calculate the risks and profits and set the prices to auction for toxic assets from banks. The market mechanism will find the real market prices of these toxic assets. The banks' balance sheets will therefore be cleaned up. Apart from providing 'funding', U.S. officials guarantee that the U.S. administration will not impose as many requirements as it has on the financial institutions, which sought money injection from the administration, in order to attract these fund companies to participate in the plan. Wall Street's preliminary reaction toward such a 'lucrative plan' is quite good. The next step will see whether the Congress will pass the 'rewarding Wall Street' plan in such a political climate. The U.S. administration has already released information that Treasury Secretary Geithner will propose a new regulatory plan on the financial system this week. This is to show Congress that the government is not tilting one-sidedly toward Wall Street, hoping to reduce objections against the rescue plan. The U.S. administration introduces bailout plans and regulatory plans at this moment because it has to show some achievements to the G-20 summit next month and to build the momentum for Obama to attend his first international

summit."

"Direction of 'removing toxic assets' is right, regulation should be implemented together"

The pro-PRC Chinese-language Wen Wei Po had this editorial (3/24): "U.S. Treasury Secretary Geithner yesterday announced the details of purchasing 'toxic assets' from banks. The U.S. administration will use \$75 to \$100 billion to buy toxic assets, 8 percent of which will come from private investors. The plan is expected to auction assets to the highest bidder and finally US\$1 trillion toxic assets will be snapped up in phases. Toxic assets are the root of the financial tsunami. This time, Washington is determined to thoroughly solve the problem. It will remove toxic assets from the financial institutions through the joint cooperation of private and public sectors. This will help to restore the credit function of the financial institutions and to mend the crack in the credit chain. However, toxic assets affect the whole world because the financial institutions lack regulations. Washington spends huge sums to 'remove toxic assets', it should also improve its regulatory system to avoid new crisis."

"Global stock markets rebound; financial noose is not yet untied"

The independent Chinese-language Hong Kong Economic Times commented in an editorial (3/24): "...Due to the financial crisis, the U.S. economy is in serious recession. The Obama administration must find the root of the problem before it can stop the financial crisis from worsening. The current problem is not whether the problem has been solved or not, but whether the solution to the problem has been found yet. Everyone hopes to see the U.S. stocks rise from the bottom because it will imply that the global economy will 'walk out of the valley'. However, the objective environment will not be changed by subjective desire. Though global stock markets leap, investors still have to be conscious that they may come across another severe winter after the rebound."

## 12. U.S.-China relations

"Hope that Sino-U.S. leaders' meeting will lead to cooperation in combating the financial crisis"

The working-class Chinese-language Sing Pao Daily News wrote in an editorial (3/24): "...Since U.S. President Obama took office, Sino-U.S. relations are at a critical moment of linking past and future. They will be facing huge opportunities and challenges. The first meeting between the two leaders will be of significant importance because China and the U.S. still have differences. They

don't share the same view on all issues. And both China and the U.S. know that they have to reduce their differences and conflicts, so that Sino-U.S. constructive cooperation relations can be further developed. Improving Sino-U.S. relations will benefit people of the two countries and will be good for world peace and stability. One should see that China makes all efforts to support the U.S. in riding out the financial crisis. The U.S. should also make all efforts to safeguard the common interests of the two countries, such as easing the restriction on exports to China which includes the restriction on exports of advanced technology. It will come to a win-win situation.... It is hoped that countries can come to an agreement at the London financial summit to bring about the international financial reform and overcome the financial crisis together."

### 13. Iran

"Actions need to improve the relations between the U.S. and Iran"

The pro-PRC Chinese-language Macau Daily News remarked in an editorial (3/24): "U.S. President Obama delivered a historic speech in Washington on March 20 [Iran's New Year] directly addressing the Iranians via television.... The TV speech is viewed as one of the most decisive foreign policy statement made by Obama since he took office two months ago.... In response to Obama's speech, Iran's supreme leader Khamenei stressed that the U.S. has not changed its Iran policy. However, he said that if the U.S. is willing to change, Iran will also change accordingly. Even though the Iranian public has a good opinion of Obama, Iranian officials fear that Obama's soft posture is just a repackaging of the United State's Iran policy and not molding new policy. They believe that Obama makes the international community support Washington's lasting policy of isolating Iran. Not long ago, the Obama administration extended the sanctions of the Clinton era on Iran. Such a move made Iran believe that the current U.S. administration's Iran policy is the same as the Bush administration's which was hostile. The only difference is the current policy is more refined."

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